

On behalf of the dairy producers of Associated Milk Producers Inc., I want to thank Chairman Pombo, Ranking Member Peterson and other members of the subcommittee for allowing me to testify.

For more than 30 years I have worked for Associated Milk Producers, more commonly known as AMPI. Since 1990, I have been the dairy cooperative's general manager. Today, we have 6,500 members in seven Midwest states, marketing \$1 billion of dairy products.

AMPI is also an active member of the Midwest Dairy Coalition and the National Milk Producers Federation.

Today, my comments will reflect AMPI's views on national dairy policy and how it can be improved through the next U.S. Farm Bill. I will focus on three areas of U.S. dairy policy, namely: regionally-based dairy policies, producer safety nets and the threat of disease.

First, let's examine regionally-based dairy policies such as dairy compacts and the federal milk market order system.

Both benefit some groups of producers at the expense of others. Both are staunchly defended by areas of the country that see them as a way to prop up their prices.

To make this price discrimination worse, reliable economic studies by the likes of USDA, FAPRI and Cornell show that relatively higher prices for some actually lower prices for other dairy producers. Federal orders and dairy compacts create winners and losers.

Though I realize dairy compacts are not within this committee's jurisdiction, they are part of today's overall dairy policy mix and you should oppose their continuation. As you recall, those writing the 1996 Farm Bill chose to sunset the compact's provisions in 1999. Let's not extend this policy to another farm bill.

Midwest dairy producers know:

- Compacts disadvantage dairy producers outside the compact area.
- Compacts result in lower prices for milk used in cheese, butter and nonfat dry milk.
- Compacts create a fragmented and regionally divisive U.S. dairy policy.
- Compacts are trade barriers within our borders.

We need a national dairy pricing system and national dairy policy that is free of regional distortions.

Dairy is a national market with supply/demand setting the price and balancing the market for most products. Class I fluid use is a shrinking part of total production and an increasingly ineffective and unfair way to support the industry.

You have all heard the age-old arguments about the inequity of the federal milk market order system. The federal order reform legislation passed in 1999 only increased regional distortion. Class I fluid prices have been raised, giving price relief to farmers with higher Class I utilization and the benefit of federal order price control. Please weigh-in on the side of national dairy policy, not regional fixes that only make life tougher for others.

While we've added new price guarantees such as federal order reform and dairy compacts for some areas, we have actually lowered the safety net on a national scale. That takes me to my second point: establishing a national dairy safety net.

I believe, as an industry, we need a meaningful price support system coupled with the necessary inventory management and consistent dairy import policies.

Other credible proposals seek to supplement producers' income when market prices fall below specified target levels. Examples of such proposals are the National Milk Producers Federation Class III supplementation, the Senate's Santorum/Kohl bill (S. 294) and bills introduced last year by Congressman Ron Kind (H.R. 5051) and Congressman David Obey (H.R. 5649). The benefits of these programs can be effectively targeted toward those producers who are in need, without causing major market distortions.

However, the fact that dairy producers need supplemental payments of any type is testimony to the inadequacy and inequity of national dairy policy. AMPI believes that an effective safety net for dairy producers must include a stronger dairy price support program and a more consistent trade policy in regard to dairy